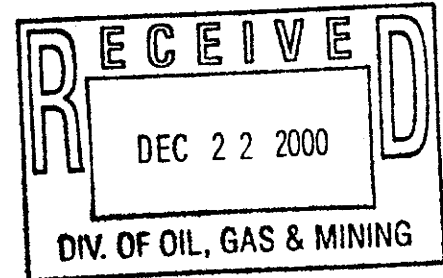


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December 19, 2000

Ms. Mary Ann Wright
Associate Director of Mining
Utah Division of Oil Gas and Mining
PO Box 145801
Salt lake City, Utah 84114-5801



RE: Approval for Retention of Buildings and Ponds, North Lily Mining Company, Silver City, Utah Facility

Dear Ms. Wright:

North Lily Mining Company requests the approval of the Division of Oil Gas and Mining (DOGM) for the continued use of the following facilities at North Lily's Silver City Facility:

- the pregnant and overflow solution ponds for solution storage and for enhanced evaporation system operation since closure of either of these ponds could jeopardize North Lily's ability to manage leach pad draindown volumes throughout the winter and into the spring;
- the barren solution pond for possible future use as a repository for construction/demolition debris, conditional upon the approval by the Division of Solid and Hazardous Waste;
- the office trailer which will be needed as a site office (record keeping, weather protection for site workers, telecommunications) for personnel on site;
- the mill building for storage of saleable equipment and materiel and to house the electrical distribution panel;
- the oil storage shed and adjacent storage locker to be used to shelter equipment and/or the electrical distribution panel when and if it is relocated from the mill building to facilitate demolition of the mill building;
- steel fuel tanks until they can be sold; and
- the caustic soda tank until the frozen solution in the tank bottom is thawed and the remainder of the caustic soda solution can be delivered to Kennecott Barneys Canyon.

Significant progress has been made on the site both in terms of closure and reclamation. Completed tasks are as follows: the heap has been regraded, mulched, ripped and seeded; the leach pad draindown rate has decreased and continues to do so; enhanced evaporation capacity is in place; the draft final design for post-closure fluid management has been submitted to DWQ

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and conditionally approved; containerized waste and recyclable materials have been inventoried and scheduled for appropriate handling; and, delivery of sodium cyanide and caustic soda to Kennecott Barneys Canyon has been completed.

Therefore, we believe that it is in the project's best interest for the above-listed facilities to remain available for use for the purposes described above. Closure of the pregnant and overflow ponds is currently planned to take place in the spring after DWQ, the Division of Oil Gas and Mining, and North Lily are confident that they are no longer required for fluid management. The barren pond would be closed when building demolition has been completed and this pond would no longer be required for disposal of demolition debris. Demolition of the mill building would take place as soon as practicable based on the need for the building for salvageable equipment and materiel storage as well as for maintenance of the electrical distribution panel. Every effort will be made to demolish the mill building by the end of Spring 2001.

The earliest actual date by which the ponds can be closed cannot be determined at this time because of uncertainties involving winter and spring precipitation and resultant effects on fluid draindown rate. However, North Lily currently estimates that closure can be completed by June 30, 2001.

Please contact the undersigned with any questions you may have. Thank you for the outstanding cooperation and understanding that you and your staff have shown North Lily and the JBR project team through the last months.

Sincerely,

NLC Robert J. Bayer

Robert J. Bayer
Managing Principal

cc: Dennis Frederick, DWQ - W/ Attachment
Fred Pehrson, DWQ - W/Attachment
Beth Wondimu, DWQ - W/Attachment
Don Ostler, DWQ - W/Attachment
Wayne Hedburg, Division of Oil Gas and Mining - W/Attachment
Stephen Flechner, North Lily Mining Company - W/Attachment
Mike Keller, VanCott Bagley - W/Attachment